

31 December 2015

Fund Review



Butterfield

SELECT FUND: GLOBAL FIXED INCOME CLASS

OBJECTIVE

To maximise total return through income and capital gains by investing in medium to high-grade US dollar denominated debt securities with a medium/long-term maturity profile and some top performing mutual funds to provide attractive opportunities for capital growth.

INVESTMENT POLICY

The Fund will target a weighted average duration of six years and enhance returns through sector and credit diversification of securities and funds. Fund investments will include a range of top performing offshore fixed income mutual funds in targeted areas.

INVESTMENT PROCESS

Important considerations for our fixed income investment choices are liquidity and safety of principal. Our philosophy is to focus on all elements of total return to incrementally outperform the benchmark (which excludes fees) on a consistent basis.

FUND REVIEW

The Global Fixed Income Class produced a quarterly return of -0.65%, net of fees, in Q4 of 2015. This was higher than the -0.90% return of our 5-10 Year Merrill Lynch Index, which does not have fees associated with it.

In the fourth quarter of 2015, the US Treasury market produced negative absolute returns, particularly in the shorter maturities 5 years and in. The US 5-year note yield rose by 40 basis points, to 1.76%, whilst 10-year yields rose by a much more reasonable 23 basis points, ending at 2.27%. The "potential" for the Fed to normalise overnight interest rates in the fourth quarter of the year became reality and the Fed raised rates by 25 basis points in December. We believe that upward base rate adjustments should remain relatively subdued as compared to other rate hike cycles we have seen in the past, but we continue to be positioned with less interest rate risk than our benchmark to preserve capital as rates continue higher. High grade credit markets outperformed risk-free assets for the period, but lower quality bonds in BBB and lower ratings categories underperformed substantially.

Our current credit exposure, which includes 10% combined High Yield and Emerging Market Debt exposure, had a difficult year as high yield underperformed high grade by roughly 800 basis points. We have held the position, as we still do not see a default scenario that produces negative returns over longer time periods.

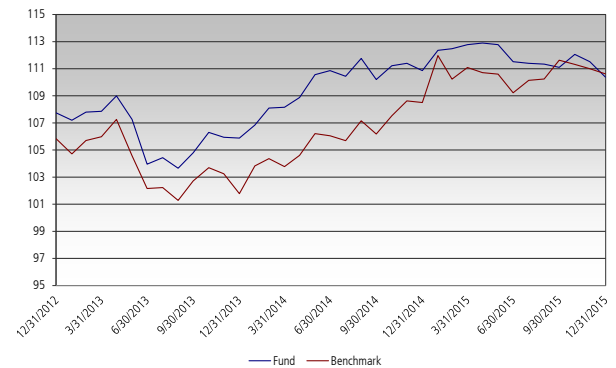
GENERAL INFORMATION

Currency: USD	Fiscal Year End: 30 June
Valuation: Thursday	Min. Investment: USD 10,000
Dealings: Friday	Total Expense Ratio: 1.20%
Front End Fee: None	Size of Fund (millions): USD 53.4
Units: Accumulation	NAV per share: USD 18.40
Identifier: BUTSLFX BH	

Contact Information

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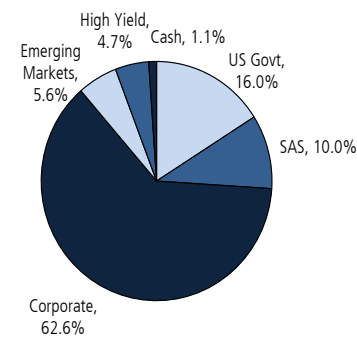
CHART MONTHLY



AVERAGE ANNUAL COMPOUND RETURNS

	Q4 15	1 Year	3 Year	Inception (31/12/11)
Fund	-0.65%	-0.43%	0.81%	2.50%
Index	-0.90%	1.95%	1.49%	2.55%

ASSET ALLOCATION



TOP HOLDINGS

1.	PIMCO Investment Grade Credit Fund	7.1%
2.	US Treasury Note 1.75% 31 Oct 2022	5.5%
3.	iShares - Emerging Market Bond ETF	5.5%
4.	US Treasury Note 2.00% 15 Aug 2025	5.5%
5.	iShares - US\$ High Yield ETF	4.6%
6.	Fedex Corp 6.72% 15 Jan 2022	3.7%
7.	Met Life Global 3.875% 11 Apr 2022	3.5%

BENCHMARK COMPOSITION

Merrill Lynch US Corp and Government 5-10 year A rated and above



Morningstar Rating™

www.butterfieldgroup.com

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